

Beatty

BOARD OF DIRECTORS.....R. M. Barford
R. A. Stevens
A. A. P. Menzies
G. R. Gardiner
Miss M. P. Hyndman, Q.C.
G. E. Robertson
G. Rodanz
R. Pigeon

OFFICERS.....G. R. Gardiner, *Chairman*
R. A. Stevens, *President and Treasurer*
A. A. P. Menzies, *Vice-President*
Miss M. P. Hyndman, Q.C., *Secretary*

TRANSFER AGENT and REGISTRAR..The Canada Trust Company

BANKERS.....The Bank of Nova Scotia

AUDITORS.....Clarkson, Gordon & Co.

BEATTY BROS. LIMITED.....Head Office, Fergus, Ontario

Report of the Board of Directors

To the Shareholders:

Sales decreased during 1967 from \$48,943,000 to \$47,742,000 and the net profit fell from \$278,000 to a loss of \$117,000.

The Beatty Division, Housewares Division and GSW (U.K.) Ltd. had sales and profit contribution increases during the year. GSW (U.K.) Ltd. returned a profit after two years of losses. These gains were more than offset by decreases in the Appliance Division. These decreases were attributable to the start-up costs of our new laundry equipment, to falling total markets in products such as wringer washers where our share is substantial, and to other factors. We are planning on substantial gains in this division in 1968.

Duro Acquisition:

In September, General Steel Wares Limited acquired Duro Aluminum Ltd. of Hamilton, Ontario. This company has a long history of successful operation and makes a valuable addition to the Housewares Division.

Financial:

Working capital was reduced by \$303,000. Borrowing increased, as did receivables and inventories. The consolidation of Duro Aluminum Ltd. in the 1967 figures accounted for a large part of these increases.

Research & Development:

Products introduced during 1967 include a complete new line of pantryware from the Housewares Division, new automatic laundry equipment from the Appliance Division, improved domestic water pumps from the Beatty Division, and an expanded range of gas fired warm air heating units from GSW (U.K.) Ltd. Your company is continuing to develop new products for growing markets.

Several major tooling programs are now complete, and consequently expenditures now needed to sustain our development activities are lower. All tooling costs incurred have been expensed.

Divisions Now Complete Units:

During the year the GSW Divisions' functions which were located in Toronto were transferred to Montreal, London and Fergus, and in the case of the Appliance Division, the general management and marketing personnel moved to London. Each of the four Divisions is now a self-contained business operation under the direction of a General Manager. The costs of completing these moves were written off during the year.

Board of Directors:

Mr. W. F. Pearson, a Director of your company, retired from the company after 33 years of distinguished service.

General:

In summary, the Beatty, Housewares and GSW (U.K.) Ltd. Divisions made good progress during the year, and given normal market conditions, we look for improvement in all Divisions in 1968.

The Board extends to all its employees its appreciation for their loyal support and co-operation throughout the year.

On behalf of the Board,



Toronto, March 6, 1968

President

Facts In Brief

BEATTY BROS. LIMITED AND SUBSIDIARIES

	1967	1966
Net sales - - - - -	\$47,742,162	\$48,942,704
Net profit (loss) for year - - - - -	(117,414)	277,871
Increase (decrease) in earned surplus for the year - - - - -	(117,414)	193,101
Bank loan and short term notes (less cash) - - - - -	5,163,156	3,736,265
Total current assets - - - - -	20,385,571	18,484,119
Total current liabilities - - - - -	12,051,304	9,846,399
Ratio — current assets to current liabilities - - - - -	1.7 to 1	1.9 to 1
Working capital - - - - -	\$ 8,334,267	\$ 8,637,720

Consolidated Balance Sheet/December 31, 1967

(with comparative figures for 1966)

BEATTY BROS. LIMITED and its subsidiary companies
(Incorporated under the laws of Canada)

ASSETS

	1967	1966
Current assets:		
Cash - - - - -	\$ 211,064	\$ 30,142
Accounts receivable less allowance for doubtful accounts - - - - -	6,474,107	5,831,102
Inventories valued at the lower of cost and market - - - - -	13,251,943	12,313,656
Prepaid expenses and manufacturing supplies - - - - -	448,457	309,219
Total current assets - - - - -	20,385,571	18,484,119
Mortgage receivable - - - - -	214,100	266,700
Fixed assets:		
Land, buildings and equipment, at cost - - - - -	17,215,112	15,906,304
Less accumulated depreciation - - - - -	13,552,394	11,953,601
	3,662,718	3,952,703
Other assets:		
Excess of cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition - - - - -	428,815	428,815
Licence and tooling in connection with a new business acquired, less amortization	116,000	216,000
Engineering, tooling and patent costs, less amounts written off - - - - -	1	1
	544,816	644,816
	\$24,807,205	\$23,348,338

On behalf of the Board:

R. A. STEVENS, Director

R. M. BARFORD, Director

LIABILITIES

	1967	1966
Current liabilities:		
Bank loan - - - - -	\$ 674,220	\$ 366,407
Short term notes - - - - -	4,700,000	3,400,000
	<u>5,374,220</u>	<u>3,766,407</u>
Accounts payable - - - - -	5,761,365	5,502,854
Income and other taxes payable - - - - -	693,036	349,618
Dividends payable - - - - -	37,683	39,520
Sinking fund instalments of funded debt due within one year - - - - -	185,000	188,000
Total current liabilities - - - - -	<u>12,051,304</u>	<u>9,846,399</u>
Provision for warranties - - - - -	500,000	500,000
Funded debt of subsidiary company (see note 2) - - - - -	3,029,000	3,235,000
Accumulated tax reductions applicable to future years - - - - -	—	180,500
Minority interest in General Steel Wares Limited:		
5% cumulative redeemable preferred shares (redemption price \$3,165,330) - -	3,014,600	3,161,600
Common shareholders' interest in capital and surplus - - - - -	<u>2,053,144</u>	<u>2,148,268</u>
	<u>5,067,744</u>	<u>5,309,868</u>
	<u>20,648,048</u>	<u>19,071,767</u>
Shareholders' equity:		
Capital —		
Authorized:		
97,962 5% cumulative redeemable preferred shares par value \$12.00 each (after deducting 319,038 shares which have been redeemed)		
600,000 common shares without par value		
Issued and outstanding:		
417,000 common shares - - - - -	737,500	737,500
Earned surplus - - - - -	<u>3,421,657</u>	<u>3,539,071</u>
Total shareholders' equity - - - - -	<u>4,159,157</u>	<u>4,276,571</u>
	<u>\$24,807,205</u>	<u>\$23,348,338</u>

See accompanying notes to financial statements

Consolidated Statement of Earned Surplus

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

BEATTY BROS. LIMITED and its subsidiary companies

	1967	1966
Balance, beginning of year - - - - -	\$3,539,071	\$3,345,970
Add:		
Net profit (loss) for the year - - - - -	(117,414)	277,871
	3,421,657	3,623,841
Reserve for future tooling cost, no longer required - - - - -	—	250,000
Less minority interest therein - - - - -	—	77,445
		172,555
	3,421,657	3,796,396
Deduct:		
Excess of cost of common shares of The Easy Washing Machine Company, Limited over the book value thereof at dates of acquisition - - - - -	—	507,245
Less gain on sale of Easy plant - - - - -	—	134,428
		372,817
Less minority interest therein - - - - -	—	115,492
		257,325
Balance, end of year - - - - -	\$3,421,657	\$3,539,071

Consolidated Statement of Profit and Loss

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

BEATTY BROS. LIMITED and its subsidiary companies

	1967	1966
Net sales- - - - -	\$47,742,162	\$48,942,704
Less cost of sales, selling and administrative expenses before providing for the undernoted items - - - - -	46,905,349	47,135,476
	836,813	1,807,228
Interest on funded debt - - - - -	135,451	158,174
Interest on other loans - - - - -	387,703	411,832
Depreciation and amortization - - - - -	870,653	849,817
	1,393,807	1,419,823
Net operating profit (loss) before income taxes and special items - - - - -	(556,994)	387,405
Gain on fixed asset disposals - - - - -	314,851	167,414
Gain on purchase of preferred shares - - - - -	24,171	22,064
Write off of portion of investment in a small subsidiary - - - - -	—	(56,037)
Accumulated tax reductions no longer required (note 3) - - - - -	160,000	—
Net profit (loss) before minority interest in profits of subsidiaries - - - - -	(57,972)	520,846
Less:		
Dividends paid on preferred shares of subsidiary - - - - -	154,591	162,025
Interest of minority shareholders in profits (loss) of subsidiaries - - - - -	(95,149)	80,950
	59,442	242,975
Net profit (loss) for the year - - - - -	\$ (117,414)	\$ 277,871

See accompanying notes to financial statements

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

BEATTY BROS. LIMITED and its subsidiary companies

	1967	1966
Funds were applied to:		
Net book value of fixed assets acquired on purchase of a subsidiary (note 1)-	\$330,638	\$ —
Purchase of fixed assets (net)	150,005	698,840
Reduction of funded debt	206,000	476,000
Redemption of preferred shares	147,000	228,958
	<u>833,643</u>	<u>1,403,798</u>
Funds were derived from:		
Operations —		
Net profit (loss) for the year	(117,414)	277,871
Add:		
Depreciation and amortization	870,653	849,817
Minority interest in net profit (loss)	(95,149)	80,950
Reduction in accumulated tax reductions applicable to future years-	(180,500)	—
Decrease in provision for warranties	—	(100,000)
	<u>477,590</u>	<u>1,108,638</u>
Mortgage payments received	52,600	—
Gain on sale of land and buildings (less mortgage)	—	284,160
(less portion included in net profit)	—	195,000
Proceeds from sale of shares of General Steel Wares Limited	—	—
	<u>530,190</u>	<u>1,587,798</u>
Net decrease (increase) in working capital -	<u>\$303,453</u>	<u>\$ (184,000)</u>

Notes to the Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1967

BEATTY BROS. LIMITED and its subsidiary companies

1. Subsidiary companies consolidated

The consolidated financial statements reflect a consolidation of Beatty Bros. Limited and its partially owned subsidiaries, General Steel Wares Limited, The Easy Washing Machine Company, Limited, General Steel Wares (U.K.) Ltd., Beatty Bros. Incorporated, Duro Aluminum Limited and several other small subsidiaries. Duro Aluminum Limited was acquired during the year and its assets and liabilities, at December 31, 1967 and the results of its operations from the date of acquisition are included in these financial statements.

The consolidated financial statements reflect the translation of pounds sterling into Canadian dollars at £1 equals \$2.60 for 1967; £1 equals \$3.00 for 1966.

2. Funded debt

Details of this debt are as follows:

	Outstanding	Sinking fund instalment due within one year	Net
General Steel Wares Limited—			
First Mortgage Bonds:			
Series "A"—3½%, due May 1, 1970	\$1,826,000	\$112,000	\$1,714,000
Series "B"—5%, due April 15, 1973	1,388,000	73,000	1,315,000
	<u>\$3,214,000</u>	<u>\$185,000</u>	<u>\$3,029,000</u>

The total amount of General Steel Wares bonds authorized was \$8,000,000. Of these, \$1,500,000 have not been issued.

3. Income taxes

General Steel Wares Limited follows the policy of writing off expenditures on tooling as incurred. In filing its tax returns for 1967 it intends to defer a substantial portion of these expenditures as undepreciated capital cost of tooling. As a result of this and writing depreciation in the accounts in excess of that claimed for income tax purposes, \$160,000 of accumulated tax reductions applicable to future years which were set up in prior years is no longer required.

4. Fees and salaries

Aggregate remuneration to directors was \$126,038 for 1967 and \$124,733 for 1966.

Auditors' Report

To the Shareholders of
Beatty Bros. Limited:

We have examined the consolidated balance sheet of Beatty Bros. Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of profit and loss, earned surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such test of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 27, 1968.

Clarkson, Gordon & Co.
Chartered Accountants

The Divisions of the Company

and the products they market

APPLIANCE DIVISION

London, Ont. and Fergus, Ont.

GSW-McClary and Beatty refrigerators
electric ranges and freezers
GSW-Easy and Beatty Automatic washers and dryers
wringer washers
GSW-Fedders air conditioners
Easy coin laundry equipment
Belwood freezers
metal lockers
fire doors
hollow metal doors
toilet and shower partitions

HOUSEWARES DIVISION

Montreal P.Q., Hamilton and London, Ont.

porcelain enamelware
aluminum and stainless steel cooking utensils
pantry ware
galvanized ware and other metal household products
domestic gas and electric water heaters
range boilers

BEATTY DIVISION

Fergus, Ont.

mechanical feeding equipment
silo unloaders
gutter cleaners
manure spreaders
steel pens and stalls
Beatty and McDougall domestic water pumps
and equipment
Medallist tanks
Beatty Gator boat trailers and toboggan trailers
Lovell wringers for laundry equipment

GSW (UK) LTD.

Hatfield, UK.

McClary warm air gas furnaces
McClary coin-operated gas dryers
McClary coin-operated laundry equipment